

CITY OF ALTOONA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

June 30, 2016

CITY OF ALTOONA

Table of Contents

Officials.	3
Independent Auditor's Report.	5-6
Management's Discussion and Analysis.	7 -13
Basic Financial Statements:	
	<u>Exhibit</u>
Government-wide Financial Statement:	
Cash Basis Statement of Activities and Net Position	A. 16-17
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and	
Changes in Cash Balances.	B. 18-19
Reconciliation of the Statement of Cash Receipts,	
Disbursements and Changes in Cash Balances to	
the Cash Basis Statement of Activities and Net Position.	C. 20
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and	
Changes in Cash Balances	D. 22-23
Reconciliation of the Statement of Cash Receipts,	
Disbursements and Changes in Cash Balances to	
the Cash Basis Statement of Activities and Net Position.	E. 24
Notes to Financial Statements.	25-42
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements	
and Changes in Balances - Budget and Actual (Cash Basis) -	
All Governmental Funds and Proprietary Funds.	44-45
Notes to Other Information - Budgetary Reporting.	46
Schedule of the City's Proportionate Share of the Net Pension Liability.	47
Schedule of City Contributions.	48-49
Notes to Other Information - Pension Liability.	50
Supplementary Information:	
	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in	
Cash Balances - Nonmajor Governmental Funds.	1. 52-53
Schedule of Indebtedness.	2. 54-55
Bond Maturities.	3. 56-61
Schedule of Receipts/Proceeds by Source and Disbursements	
All Governmental and Proprietary Funds.	4. 62-63
Independent Auditor's Report on Internal Control Over Financial	
Reporting and on Compliance and Other Matters Based on an	
Audit of Financial Statements Performed in Accordance with	
<i>Government Auditing Standards</i>	65-66
Schedule of Findings.	67-69

CITY OF ALTOONA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 1, 2016)		
J. M. Skip Conkling.....	Mayor.....	Jan 2016
Michelle Sloan.....	Mayor Pro-Tem.....	Jan 2018
Jeremy Boka.....	Council Member.....	Jan 2018
Kyle Mertz.....	Council Member.....	Jan 2018
Mike Harmeyer.....	Council Member.....	Jan 2016
Dean O'Connor.....	Council Member.....	Jan 2016
Jeffery Mark.....	City Administrator.....	Jun 2017
Randy Pierce.....	Clerk/Finance Officer.....	Jan 2016
Robert Laden.....	Attorney.....	Jan 2016
(After January 1, 2016)		
J. M. Skip Conkling.....	Mayor.....	Jan 2020
Michelle Sloan.....	Mayor Pro-Tem.....	Jan 2018
Jeremy Boka.....	Council Member.....	Jan 2018
Vern Willey II.....	Council Member.....	Jan 2020
Dean O'Connor.....	Council Member.....	Jan 2020
Kyle Mertz.....	Council Member.....	Jan 2018
Jeffery Mark.....	City Administrator.....	Jun 2017
Randy Pierce.....	Clerk/Finance Officer.....	Jan 2017
Robert Laden.....	Attorney.....	Jan 2017

City of Altoona



MARTENS & COMPANY, CPA, LLP

CERTIFIED PUBLIC ACCOUNTANTS

4949 Pleasant Street, Suite 104

West Des Moines, Iowa 50266

(515)-223-4841

FAX: (515)-223-0851

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Altoona, Iowa, as of and for the year ended June 30, 2016 and the related Notes to the Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Altoona as of June 30, 2016 and the respective changes in the cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Altoona's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City of Altoona's Proportionate Share of the Net Pension Liability and the Schedule of the City of Altoona Contributions on pages 7 through 13 and 44 through 50 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 11, 2016 on our consideration of the City of Altoona's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Altoona's internal control over financial reporting and compliance.

Martens & Company, CPA, LLP

West Des Moines, Iowa
October 11, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Altoona provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 2.3%, or approximately \$614,000 from fiscal year 2015 to fiscal year 2016. Bond proceeds decreased by approximately \$448,000.
- Disbursements of the City's governmental activities decreased 16.8%, or approximately \$4,559,000, from fiscal year 2015 to fiscal year 2016. Capital projects increased approximately \$860,000. Debt service decreased approximately \$4,693,000 and community and economic development decreased approximately \$1,053,000.
- The City's total cash basis net position increased 27.0% or approximately \$7,882,000 from fiscal year 2015 to fiscal year 2016. Of this amount, the cash basis net position of the governmental activities increased approximately \$5,604,000 and the cash basis net position of the business type activities increased approximately \$2,278,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statements consist of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property taxes and grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, garbage and recycling collection. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund and 4) the Capital Projects Fund. The government fund financial statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds and the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains six Enterprise Funds to provide separate information for the water, water deposits, sewer, garbage, storm water and recycling funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliation between the government-wide financial statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities has increased from a year ago, increasing from approximately \$14.966 million to approximately \$20.570 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2016	2015
Receipts:		
Program receipts:		
Charges for service	\$ 1,301	\$ 1,264
Operating grants, contributions and restricted interest	2,421	1,989
Capital grants, contributions and restricted interest	38	230
General receipts:		
Property tax	15,962	15,872
Other City taxes	1,057	1,013
Grants and contributions not restricted to specific purposes	1,926	929
Unrestricted interest on investments	31	17
Bond proceeds	4,207	4,655
Other general receipts	421	781
Total receipts	<u>27,364</u>	<u>26,750</u>
Disbursements:		
Public safety	5,421	5,470
Public works	1,657	1,520
Health and social services	14	2
Culture and recreation	1,851	1,718
Community and economic development	2,582	3,635
General government	1,171	1,077
Debt service	8,344	13,037
Capital projects	1,485	625
Total disbursements	<u>22,525</u>	<u>27,084</u>
Change in cash basis net position before transfers	4,839	(334)
Transfers, net	<u>765</u>	<u>758</u>
Change in cash basis net position	5,604	424
Cash basis net position beginning of year	<u>14,966</u>	<u>14,542</u>
Cash basis net position end of year	<u>\$ 20,570</u>	<u>\$ 14,966</u>

The City's total receipts for governmental activities increased by 2.3% or approximately \$614,000 from the prior year. The total cost of all programs and services decreased approximately \$4,559,000 or 16.8% primarily due to a decrease in Debt Service payments. The increase in receipts was primarily the result of an increase in the Prairie Meadows Grant.

Based on increases in the total assessed valuation, property tax receipts are budgeted to increase by an additional \$433,797 next year or 7.729%.

The cost of all governmental activities this year was \$22.525 million compared to \$27.084 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position - on pages 16 - 17, the amount that taxpayers ultimately financed for these activities was approximately \$18.764 million because some of the cost was paid by those directly benefitted from the programs (\$1.301 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$2.460 million). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2016 from approximately \$3.483 million to approximately \$3.761 million principally due to an increase in operating grants. The City paid for the remaining public benefit portion of governmental activities with approximately \$17.020 million in tax (some of which could only be used for certain programs), and other receipts, such as interest, and general receipts.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2016	2015
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 4,029	\$ 3,998
Sewer	4,057	4,012
Water deposits	60	57
Garbage	549	526
Recycling	164	160
Storm water	777	741
General receipts:		
Unrestricted interest on investments	3	3
Other general receipts	125	84
Total receipts	<u>9,764</u>	<u>9,581</u>
Disbursements:		
Water	2,626	2,557
Sewer	3,047	2,930
Garbage	542	529
Water deposits	53	51
Storm water	266	146
Recycling	187	172
Total disbursements	<u>6,721</u>	<u>6,385</u>
Change in cash basis net position before transfers	3,043	3,196
Transfers, net	<u>(765)</u>	<u>(758)</u>
Change in cash basis net position	2,278	2,438
Cash basis net position beginning of year	<u>14,178</u>	<u>11,740</u>
Cash basis net position end of year	<u>\$ 16,456</u>	<u>\$ 14,178</u>

Total business type activities receipts for the fiscal year were \$9.764 million compared to \$9.581 million last year. This increase was due primarily to an increase in new construction and permits paying minimum bills prior to usage. The cash balance increased by approximately \$2.278 million from the prior year. Total disbursements for the fiscal year increased by approximately 5.3% to a total of \$6.721 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Altoona completed the year, its governmental funds reported a combined fund balance of \$20.579 million, an increase of approximately \$5.553 million above last year's total of \$15.026 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased approximately \$57,000 from the prior year to approximately \$4,598,000. This was primarily because of increased intergovernmental receipts and property tax.
- The Special Revenue, Road Use Tax Fund cash balance increased by approximately \$269,000 to approximately \$354,000 during the fiscal year. This increase was attributable to increased Road Use Tax receipts.
- The Special Revenue, Tax Increment Financing Fund increased by approximately \$848,000 to approximately \$5,807,000 during the fiscal year. The increase is primarily the result of a receipt of \$1,000,000 from the Prairie Meadows Grant.
- The Debt Service Fund cash balance increased by approximately \$4,210,000 to approximately \$9,171,000 during the fiscal year. The increase was primarily due to the increase in the funds received and being held for the crossover refunding.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased by approximately \$1,305,000 to approximately \$7,965,000, due primarily to a decrease in spending on capital projects.
- The Enterprise, Sewer Fund cash balance increased by approximately \$528,000 to approximately \$6,610,000, due primarily to an increase in charges for service.
- The Enterprise, Water Deposit Fund increased approximately \$7,000 to approximately \$115,000.
- The Enterprise, Garbage Fund increased approximately \$7,000 to approximately \$184,000 due to an increase in charges for service.
- The Enterprise, Recycling Fund decreased approximately \$22,000 to approximately \$19,000. This is due to the increased operating disbursements.
- The Enterprise, Storm Water Utility Fund increased approximately \$452,000 to approximately \$1,476,000 due to an increase in charges for service.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its operating budget once. The amendment was approved on May 16, 2016 to provide for additional expenditures in certain City departments. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$80,300 less than budgeted. This was primarily due to the City receiving \$165,000 less in tax increment financing collections, \$493,000 less in intergovernmental, and \$187,000 less in other city tax.

Total disbursements were approximately \$4,404,000 less than the amended budget. This was primarily due to business type activities disbursements being less in the fiscal year than originally anticipated.

DEBT ADMINISTRATION

At June 30, 2016, the City had \$84,283,000 in bonds and other long-term debt compared to \$84,757,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30	
	2016	2015
General obligation bonds	\$ 27,768	\$ 26,965
Revenue bonds	56,515	57,715
Fire truck capital lease	-	77
	<u>\$ 84,283</u>	<u>\$ 84,757</u>

The City's general obligation bond rating continues to carry an Aa3 rating, a rating that has been assigned by national rating agencies to the City's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt of \$30.887 million plus the portion of developer rebate agreements of \$1.341 million that are subject to the debt limit are well below the City's \$68.607 million legal debt limit.

Debt continued to decrease with payments on existing bond issues exceeding new bond issue proceeds.

More detailed information about the City's long-term liabilities is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2016 fiscal year budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. The City's population growth since the 2000 census stands at 29%. Unemployment in the county now stands at 3.9%. This compares with the state unemployment rate of 3.7%.

The U.S. Consumer Price Index (CPI) is a measure of the changes in retail prices of a fixed market grouping of consumer goods and services. The CPI-U for July 2015 was 234.38. For the 12 month period that ended in July, 2016 the CPI-U was unchanged.

These indicators were taken into account when adopting the budget for 2017. Amounts available for appropriation in the budget are \$1.4 million, an increase of 4.38% over the final 2016 budget. Property tax (benefitting from increases in levy) and proceeds from the tax increment financing revenue are expected to lead this increase. The City will use these to finance programs currently offered and to defray the costs of carrying out the City's continued economic development. Budgeted disbursements are expected to increase by approximately \$6.1 million. An increase in capital projects activities represents the largest increase.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$1,800,000 by the close of fiscal year 2017.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Randy Pierce, City Clerk/Finance Officer, 407 8th Street S.E., P.O. Box 338, Altoona, Iowa 50009.

City of Altoona

Basic Financial Statements

CITY OF ALTOONA

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2016

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 5,421,333	\$1,077,711	\$ 98,473	\$ -
Public works	1,656,485	-	1,796,172	-
Health and social services	13,682	-	-	-
Culture and recreation	1,851,073	31,792	171,337	-
Community and economic development	2,582,193	41,542	346,944	-
General government	1,171,454	149,929	-	-
Debt service	8,344,266	-	8,413	-
Capital projects	1,484,755	-	-	38,454
Total governmental activities	<u>22,525,241</u>	<u>1,300,974</u>	<u>2,421,339</u>	<u>38,454</u>
Business type activities:				
Water	2,625,616	4,028,950	-	-
Sewer	3,047,462	4,057,148	-	-
Garbage	542,053	548,615	-	-
Water deposits	53,102	60,300	-	-
Storm water	266,157	777,350	-	-
Recycling	186,957	164,480	-	-
Total business type activities	<u>6,721,347</u>	<u>9,636,843</u>	<u>-</u>	<u>-</u>
Total	<u>\$29,246,588</u>	<u>\$10,937,817</u>	<u>\$2,421,339</u>	<u>\$38,454</u>

General receipts and transfers:

Property and other city tax levied for:

- General purposes
- Employee benefits
- Debt service
- Special assessments
- Tax increment financing
- Hotel/motel tax
- Grants and contributions not restricted to specific purpose
- Unrestricted interest on investments
- Bond proceeds
- Bond premium
- Miscellaneous
- Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted:

Expendable:

- Debt service
- Streets
- Urban renewal
- Other purposes
- Capital project funds

Unrestricted

Total cash basis net position

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
\$ (4,245,149)	\$ -	\$ (4,245,149)
139,687	-	139,687
(13,682)	-	(13,682)
(1,647,944)	-	(1,647,944)
(2,193,707)	-	(2,193,707)
(1,021,525)	-	(1,021,525)
(8,335,853)	-	(8,335,853)
(1,446,301)	-	(1,446,301)
(18,764,474)	-	(18,764,474)
-	1,403,334	1,403,334
-	1,009,686	1,009,686
-	6,562	6,562
-	7,198	7,198
-	511,193	511,193
-	(22,477)	(22,477)
-	2,915,496	2,915,496
(18,764,474)	2,915,496	(15,848,978)
4,494,772	-	4,494,772
805,231	-	805,231
344,021	-	344,021
78,703	8,092	86,795
10,239,482	-	10,239,482
1,057,370	-	1,057,370
1,926,444	-	1,926,444
31,440	3,321	34,761
4,118,350	-	4,118,350
88,272	-	88,272
419,612	115,744	535,356
764,615	(764,615)	-
24,368,312	(637,458)	23,730,854
5,603,838	2,278,038	7,881,876
14,965,803	14,178,428	29,144,231
\$ 20,569,641	\$ 16,456,466	\$ 37,026,107
\$ 9,170,770	\$ 1,084,834	\$ 10,255,604
473,267	-	473,267
5,807,297	-	5,807,297
36,021	-	36,021
261,417	-	261,417
4,820,869	15,371,632	20,192,501
\$ 20,569,641	\$ 16,456,466	\$ 37,026,107

CITY OF ALTOONA

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2016

	Special Revenue		
	General	Road Use Tax	Tax Increment Financing
Receipts:			
Property tax	\$ 4,494,772	\$ -	\$ -
Tax increment financing	-	-	10,239,482
Other City tax: hotel/motel	1,057,370	-	-
Lottery revenue	926,444	-	-
Licenses and permits	526,721	-	-
Uses of money and property	31,447	-	-
Intergovernmental	554,718	1,796,172	205,709
Prairie Meadows grant	-	-	1,000,000
Charges for service	774,253	-	-
Special assessments	39,704	-	-
Miscellaneous	117,216	-	141,257
Total receipts	8,522,645	1,796,172	11,586,448
Disbursements:			
Operating:			
Public safety	4,567,036	-	-
Public works	-	1,526,830	-
Health and social services	13,682	-	-
Culture and recreation	1,726,170	-	-
Community and economic development	1,207,101	-	1,341,370
General government	1,014,726	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	8,528,715	1,526,830	1,341,370
Excess (deficiency) of receipts over (under) disbursements	(6,070)	269,342	10,245,078
Other financing sources (uses):			
Bond proceeds	-	-	-
Bond premium	-	-	-
Transfers in	1,407,570	-	-
Transfers out	(1,345,000)	-	(9,396,619)
Total other financing sources (uses)	62,570	-	(9,396,619)
Change in cash balances	56,500	269,342	848,459
Cash balances beginning of year	4,541,326	84,500	4,958,838
Cash balances end of year	\$ 4,597,826	\$ 353,842	\$ 5,807,297
Cash Basis Fund Balances			
Restricted for:			
Debt service	\$ -	\$ -	\$ -
Urban renewal projects	-	-	5,807,297
Streets	-	353,842	-
Other purposes	-	-	-
Capital project funds	-	-	-
Unassigned	4,597,826	-	-
Total cash basis fund balances	\$ 4,597,826	\$ 353,842	\$ 5,807,297

See notes to financial statements.

Debt Service			
Debt Service Reserve	Debt Service	Nonmajor	Total
\$ -	\$ 344,021	\$ 805,231	\$ 5,644,024
-	-	-	10,239,482
-	-	-	1,057,370
-	-	-	926,444
-	-	-	526,721
8,413	-	2	39,862
-	-	25,686	2,582,285
-	-	-	1,000,000
-	-	-	774,253
-	38,999	-	78,703
-	-	30,225	288,698
8,413	383,020	861,144	23,157,842
-	-	600,599	5,167,635
-	-	-	1,526,830
-	-	-	13,682
-	-	118,897	1,845,067
-	-	33,722	2,582,193
-	-	101,618	1,116,344
43,483	8,300,783	-	8,344,266
-	-	1,484,755	1,484,755
43,483	8,300,783	2,339,591	22,080,772
(35,070)	(7,917,763)	(1,478,447)	1,077,070
4,118,350	-	-	4,118,350
88,272	-	-	88,272
-	7,956,664	1,647,000	11,011,234
-	-	-	(10,741,619)
4,206,622	7,956,664	1,647,000	4,476,237
4,171,552	38,901	168,553	5,553,307
4,438,685	521,632	480,706	15,025,687
\$ 8,610,237	\$ 560,533	\$ 649,259	\$ 20,578,994
\$ 8,610,237	\$ 560,533	\$ -	\$ 9,170,770
-	-	-	5,807,297
-	-	119,425	473,267
-	-	36,021	36,021
-	-	493,813	493,813
-	-	-	4,597,826
\$ 8,610,237	\$ 560,533	\$ 649,259	\$ 20,578,994

CITY OF ALTOONA

Reconciliation of the Statement of Cash Receipts,
Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Governmental Funds

As of and for the year ended June 30, 2016

Total governmental funds cash balances (pages 18-19) \$ 20,578,994

***Amounts reported for governmental activities in the Cash Basis Statement of
Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's equipment purchases to individual funds. A portion of the cash balance of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position.

(9,353)

Cash basis net position of governmental activities (pages 16-17) \$ 20,569,641

Change in cash balances (pages 18-19) 5,553,307

***Amounts reported for governmental activities in the Cash Basis Statement of
Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of equipment replacement to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with government activities in the Cash Basis Statement of Activities and Net Position.

50,531

Change in cash basis net position of governmental activities (pages 16-17) \$ 5,603,838

See notes to financial statements.

City of Altoona

CITY OF ALTOONA

Statement of Cash Receipts, Disbursements and
Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2016

	Enterprise			
	Water	Sewer	Water Deposits	Garbage
Operating receipts:				
Charges for service	\$4,028,950	\$4,057,148	\$ 60,300	\$548,615
Total operating receipts	4,028,950	4,057,148	60,300	548,615
Operating disbursements:				
Governmental activities:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
General government	-	-	-	-
Business type activities:	1,444,525	2,420,570	53,102	542,053
Total operating disbursements	1,444,525	2,420,570	53,102	542,053
Excess (deficiency) of operating receipts over (under) operating disbursements	2,584,425	1,636,578	7,198	6,562
Non-operating receipts (disbursements):				
Special assessments	8,092	-	-	-
Interest on investments	84	3,237	-	-
Miscellaneous	95,583	20,161	-	-
Debt service	(284,972)	(130,100)	-	-
Capital projects	(738,374)	(480,832)	-	-
Net non-operating receipts (disbursements)	(919,587)	(587,534)	-	-
Excess (deficiency) of receipts over (under) disbursements	1,664,838	1,049,044	7,198	6,562
Other financing sources (uses):				
Transfers in	224,892	-	-	-
Transfers (out)	(584,290)	(520,648)	-	-
Net transfers	(359,398)	(520,648)	-	-
Change in cash balances	1,305,440	528,396	7,198	6,562
Cash balances beginning of year	6,660,039	6,081,650	107,407	177,053
Cash balances end of year	\$7,965,479	\$6,610,046	\$114,605	\$183,615
Cash Basis Fund Balances				
Restricted for debt service	\$ 521,518	\$ 563,316	\$ -	\$ -
Unrestricted	7,443,961	6,046,730	114,605	183,615
Total cash basis fund balances	\$7,965,479	\$6,610,046	\$114,605	\$183,615

See notes to financial statements.

Storm Water	Recycling	Total	Internal Service Equipment Replacement
\$ 777,350	\$ 164,480	\$9,636,843	\$ -
777,350	164,480	9,636,843	-
-	-	-	253,698
-	-	-	129,655
-	-	-	6,006
-	-	-	55,110
266,157	186,957	4,913,364	173,705
266,157	186,957	4,913,364	618,174
511,193	(22,477)	4,723,479	(618,174)
-	-	8,092	-
-	-	3,321	-
-	-	115,744	-
-	-	(415,072)	-
-	-	(1,219,206)	-
-	-	(1,507,121)	-
511,193	(22,477)	3,216,358	(618,174)
-	-	224,892	669,795
(59,364)	-	(1,164,302)	-
(59,364)	-	(939,410)	669,795
451,829	(22,477)	2,276,948	51,621
1,024,647	41,090	14,091,886	26,658
\$ 1,476,476	\$ 18,613	\$16,368,834	\$ 78,279
\$ -	\$ -	\$ 1,084,834	\$ -
1,476,476	18,613	15,284,000	78,279
\$ 1,476,476	\$ 18,613	\$16,368,834	\$ 78,279

CITY OF ALTOONA

Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Proprietary Funds

As of and for the year ended June 30, 2016

Total enterprise funds cash balances (pages 22-23) \$16,368,834

*Amounts reported for business type activities in the Statement of
Activities and Net Position are different because:*

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's equipment purchases to individual funds. A portion of the cash balance of the Internal Service Fund is included in business type activities in the Cash Basis Statement of Activities and Net Position.

87,632

Cash basis net position of business type activities (pages 16-17) \$16,456,466

Change in cash balances (pages 22-23) \$ 2,276,948

*Amounts reported for business type activities in the Cash Basis Statement
of Activities and Net Position are different because:*

The Internal Service Fund is used by management to charge the costs of partial self funding of the equipment purchases to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

1,090

Change in cash basis net position of business type activities (pages 16-17) \$ 2,278,038

See notes to financial statements.

CITY OF ALTOONA

Notes to Financial Statements

June 30, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Altoona is a political subdivision of the State of Iowa located in Polk County. It was first incorporated in 1876 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, garbage, storm water, and recycling utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Altoona has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Altoona has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations & 28E Agreements

The City participates in several 28E and jointly governed organizations that provide goods or services to the citizenry of the City but do not meet criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of 28E organizations and of the following boards and commissions; The Safety Coalition of Central Iowa Communities, Polk County Aviation Authority, HAZ-MAT Services, building inspection for the City of Mitchellville, Iowa, Urban Standard Specifications, Snow Removal for various locations, Convention and Visitors Bureau, Des Moines Water Works, Iowa Tobacco Enforcement Compliance, Homeland Security Services, BRAVO, Polk County MTA, Metro Area Fire Mutual Aid, Metro Home Improvement Program, Suburban Emergency Response Team, Urban Design Standards, Central Iowa Traffic Safety Task Force, Polk County Emergency Management Commission, Polk County Assessor's Conference Board, Principal Park, Iowa DOT, SEP School District, Intergovernmental Metro Design Policy, Metro Solid Waste, and Fair Play Agreement.

Joint Ventures

The City also participates in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA). The WRA, a joint venture, was developed as a result of an agreement between the City of Des Moines and surrounding municipalities. (See Note 4)

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of the interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Continued

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Enterprise, Water Deposits Fund accounts for water utility deposits by residents.

The Enterprise, Garbage Fund accounts for the operation and maintenance of the City's residential garbage collection system.

The Enterprise, Storm Water Fund accounts for the operation and maintenance of the City's storm water systems.

The Enterprise, Recycling Fund accounts for the operation and maintenance of the City's residential garbage and yard waste recycling system.

The City also reports the following additional proprietary fund:

The equipment replacement fund is an Internal Service Fund utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement Focus and Basis of Accounting - Continued

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2016, no disbursements exceeded the amounts budgeted.

(2) CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2016

(2) CASH AND POOLED INVESTMENTS - CONTINUED

At June 30, 2016, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
U.S. Treasury bill	\$ 997,861	\$ 997,861	Aug 25, 2016
U.S. Treasury bill	1,496,865	1,496,865	Sept 15, 2016
U.S. Treasury bill	998,104	998,104	Dec 15, 2016
U.S. Treasury bill	399,079	399,079	Nov 25, 2016
U.S. Treasury bill	1,297,864	1,297,864	Oct 20, 2016
U.S. Treasury bill	2,695,304	2,695,304	Nov 12, 2016
U.S. Treasury bill	5,491,193	5,491,193	Oct 13, 2016
U.S. Treasury bill	2,996,413	2,996,413	Jul 21, 2016
U.S. Treasury bill	2,795,400	2,795,400	Oct 6, 2016
U.S. Treasury bill	1,996,208	1,996,208	Dec 22, 2016
U.S. Treasury bill	1,197,720	1,197,720	Nov 17, 2016
U.S. Treasury bill	499,178	499,178	Oct 13, 2016
U.S. Treasury bill	1,297,752	1,297,752	Nov 10, 2016
U.S. Treasury bill	<u>499,103</u>	<u>499,103</u>	Oct 27, 2016
Total	<u>\$24,658,044</u>	<u>\$24,658,044</u>	

The par value of the Treasury bills is \$20,100,000.

The City uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

The recurring fair value of the U.S. Treasury Bills securities was determined using quoted market prices. (Level 1 inputs)

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$840,067 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk - The City's investment in the Iowa Public Agency Investment Trust is unrated. The City's investment in U.S. Treasury bills is rated AA+ by Standard & Poor and Aaa by Moody's Investors Service.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2016

(3) BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue bonds and revenue notes are as follows:

	Balance June 30, 2015	Issued	Redeemed	Balance June 30, 2016
General obligations bonds	\$26,965,000	\$4,118,350	\$3,315,000	\$27,768,350
Revenue bonds	57,715,000	-	1,200,000	56,515,000
Fire Truck capital lease	76,819	-	76,819	-
Total	<u>\$84,756,819</u>	<u>\$4,118,350</u>	<u>\$4,591,819</u>	<u>\$84,283,350</u>

Interest rates range from .90% to 6.50% on the general obligation bonds. The revenue bond interest rates are from 2.25% to 6.375. The City paid \$4,203,476 interest on debt obligations for the year ended June 30, 2016.

Debt service requirements for general obligation bonds and revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 3,415,000	\$ 848,480	\$ 1,220,000	\$3,287,473	\$ 4,635,000	\$ 4,135,953
2018	4,313,350	771,125	700,000	3,231,233	5,013,350	4,002,358
2019	3,070,000	653,363	705,000	3,200,483	3,775,000	3,853,846
2020	2,585,000	585,632	710,000	3,166,708	3,295,000	3,752,340
2021	2,455,000	531,812	715,000	3,132,658	3,170,000	3,664,470
2022-2026	7,620,000	1,687,641	6,015,000	15,023,665	13,635,000	16,711,306
2027-2031	4,310,000	345,128	9,850,000	12,710,794	14,160,000	13,055,922
2032-2036	-	-	12,195,000	9,609,300	12,195,000	9,609,300
2037-2041	-	-	16,390,000	5,469,000	16,390,000	5,469,000
2042-2043	-	-	8,015,000	728,400	8,015,000	728,400
	<u>\$27,768,350</u>	<u>\$5,423,181</u>	<u>\$56,515,000</u>	<u>\$59,559,714</u>	<u>\$84,283,350</u>	<u>\$64,982,895</u>

The resolutions providing for the issuance of the water revenue bonds include the following provisions:

- A. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- B. The City covenants to establish and maintain a Water Revenue Bond Sinking Fund in an amount equal to the maximum principal and interest coming due on all outstanding parity bonds in any succeeding fiscal year.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2016

(3) BONDS AND NOTES PAYABLE - CONTINUED

- C. The City covenants to establish a Water Revenue Debt Service Reserve Fund in an amount equal to the maximum principal and interest due on any one year. The amount required to be reserved is approximately \$415,073 at June 30, 2016. The actual amount reserved was \$421,754.
- D. The City covenants to maintain a Water Revenue Bond Improvement Fund with an initial deposit of \$40,000. Additional funds of not less than \$750 each month will be deposited until the Fund equals or exceeds \$50,000. This account is restricted solely for the use of paying principal or interest on the Water Revenue Bonds when there is insufficient money in the Sinking Fund or Reserve Fund, and to the extent not required for the foregoing, to pay for extraordinary costs not included in the annual budget.

The resolutions providing for the issuance of the Series 2008 Annual Appropriation Urban Renewal Tax Increment Revenue Bonds include the following provisions. If appropriated by the City, TIF revenues in the Urban Renewal Tax Revenue Fund shall be transferred for deposit in the Bond Fund and the Reserve Fund.

- A. Any funds deposited in the Bond Fund (when appropriated by the City Council) shall be used solely and only and are pledged to pay the principal and interest on the Series 2008 Bonds when due, whether at maturity or an optional or mandatory redemption.
- B. Reserve Fund. The Resolution establishes a separate and special fund known as the Principal and Interest Reserve Fund (the "Reserve Fund"). There shall be deposited into the Reserve Fund on the date of delivery of the Series 2008 Bonds an amount which, together with the existing balance in the Reserve Fund, will be equal to the lesser of (i) the maximum amount of principal of and interest on the Series 2008 Bonds due during any fiscal year, (ii) 125% of the average annual debt service on the Series 2008 Bonds (calculated on a fiscal year basis), or (iii) 10% of the original principal amount of the Series 2008 Bonds (the "Required Reserve Fund Balance"). Subject to the City's right of nonappropriation, the City shall maintain the Reserve Fund in an amount equal to the Required Reserve Fund Balance. Any funds on deposit in the Reserve Fund shall be used solely and only and are pledged to pay principal of or interest on the Series 2008 Bonds when due (in the case of the Series 2008 Bonds, to the extent that the City has appropriated amounts for such payments) whenever there is a shortage of amounts on deposit in the Urban Renewal Revenue Fund and, in the case of the Series 2008 Bonds, the Bond Fund for such purpose. The Reserve Fund shall be valued annually by the City on October 31. If a shortage occurs in the amount on deposit in the Reserve Fund, either because of a transfer there from or a valuation thereof, subject to the City's right of nonappropriation the amount on deposit in the Reserve Fund shall be restored to the Required Reserve Fund Balance as soon as possible from amounts appropriated therefore by the City. Balance in the reserve fund at June 30, 2016 was \$4,374,400.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2016

(3) BONDS AND NOTES PAYABLE - CONTINUED

The Sewer Revenue Bonds, Series 2011B, covenants to establish and maintain a principal and interest reserve fund (the "Reserve Fund") in a sum equal to the lesser of: 1) the maximum amount of principal and interest becoming due on the Bonds in any succeeding fiscal year, 2) 125% of the average amount of principal and interest becoming due on the Bonds in any succeeding fiscal year; or 3) 10% of the principal amount of the Bonds. Upon the issuance of the Bonds, the City deposited \$136,600, using cash on hand, to fully fund the Reserve Fund requirement at \$136,600, which represents the maximum amount of principal and interest becoming due on the Bonds. Balance in the reserve account at June 30, 2016 was \$557,368.

Crossover Refunding

The \$4,080,000 General Obligation Urban Renewal Refunding Bonds, Series 2016A (the "Bonds") are being issued pursuant to Sections 384.25 and 403.12 of the Code of Iowa and a resolution to be adopted by the City Council of the City of Altoona, Iowa (the "City"). The Bonds are being issued to crossover refund, on June 1, 2017, \$4,025,000 of the City's outstanding General Obligation Urban Renewal Corporate Purpose Bonds, Series 2009D, originally dated August 17, 2009, maturing 2018 through 2029 (the "Series 2009D Bonds"). Proceeds of the Bonds will be applied toward the expense of the refunding and to establish an escrow account (the "Escrow Account") to be held by Bankers Trust Company, Des Moines, Iowa. The amount in the Escrow Account will be invested in non-callable direct obligations of the Department of Treasury of the United States of America on which the timely payment of principal and interest is fully guaranteed by the United States of America and which shall mature in such amounts and at such times to (i) pay interest due on the Bonds to and including June 1, 2017; (ii) prepay the principal amount of the Series 2009D Bonds called for redemption on June 1, 2017. The Bonds are general obligations of the City for which the City will pledge its power of levy direct ad valorem taxes to the repayment of the Bonds. The refunding results in a net present value savings of \$497,799. At June 30, 2016 the City had \$4,065,617 in the escrow account.

Prairie Meadows Agreement

The City has entered into a grant agreement with Prairie Meadows Racetrack and Casino, Inc. (PMRC). Under the agreement PMRC agrees to make a series of eight annual \$500,000 grants to the City. The grant funds are to be used to assist the City in payment of principal and interest on the Series 2008 Urban Renewal Tax Increment Revenue Bonds. PMRC also will consider annually making additional supplemental grants not to exceed \$500,000. The agreement calls for a termination of the grant payments if PMRC constructs a new hotel facility with certain taxable property valuations within the eight year agreement period. The City received \$1,000,000 under the agreement during the year ended June 30, 2016.

Development Rebate Agreements

The City has entered into a number of Tax Increment Financing (TIF) rebate agreements requiring repayment to the developers from TIF receipts. The rebate service requirements, if appropriated by the City, are as follows:

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2016

(3) BONDS AND NOTES PAYABLE - CONTINUED

Year ending <u>June 30</u>	
2017	\$ 1,448,764
2018	1,347,265
2019	1,220,573
2020	1,218,244
2021	906,102
2022-2024	<u>1,714,002</u>
	<u>\$ 7,854,950</u>

(4) JOINT VENTURE AND COMMITMENTS

The City is a participating community in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) joint venture. This joint venture provides primary and secondary treatment of sewer flows for the participating communities. The Amended and Restated Agreement for the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) was effective on July 1, 2004. This agreement amended and restated the previous Integrated Community Area (I.C.A.) Agreement to provide continued operation, improvements and expansion. The WRA Agreement establishes the WRA as a separate legal entity with its own Board, creates an independent governance structure, establishes an independent bonding authority for the WRA and provides a framework for additional communities to participate.

Annually, the WRA establishes an allocation to all participating communities based on operations, maintenance, debt service and reserve requirements. Allocations are based on wastewater reclamation facility flows and are adjusted prospectively for differences in budgeted flows and actual flows.

The City of Altoona retains an ongoing financial responsibility to the WRA since it is obligated in some manner for the debts of the joint venture through the annual allocation. Although the debt of the WRA is to be paid solely and only from WRA revenues, the participating communities in the joint venture cannot withdraw from the joint venture while any of the bonds issued during the time the communities were a participating community are still outstanding. The WRA Sewer Revenue Bonds Series 2004A, 2004B, 2006 and the 2008 and 2009 State Revolving Loan Funds include provisions that place the WRA debt service requirements on the same parity and rank as other debts of the participating communities.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2016

(4) JOINT VENTURE AND COMMITMENTS - CONTINUED

The WRA Sewer Revenue Bonds Series 2015E, and 2004B/2013 bonds were issued for capital expansion. The WRA Agreement requires the debt service on these bonds to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2016, the Series 2015E and 2004B/2013 bonds had a balance of \$84,270,000 and the City of Altoona's estimated future allocation based on the WRA flows is currently \$5,919,566, or 7.02%. The State Revolving Loans are to be paid by the participating communities based on the existing allocations under the prior I.C.A. agreement. As of June 30, 2016 the state revolving loans had a balance of \$264,697,879 and the City of Altoona's estimated future allocation based on the WRA flows is currently \$16,271,767 or 6.15%. The pre 2004 state revolving loans are to be paid by the participating communities based on the existing allocations under the prior I.C.A. agreement. As of June 30, 2016 the WRA had \$1,199,987 in outstanding pre 2004 State Revolving Loans, of which \$ -0- of future principal debt service is a commitment of the City of Altoona.

The WRA Agreement does not provide for the determination of an equity interest for the participating communities. Withdrawing from the joint venture is a forfeit of all reversionary interest and no compensation will be paid. Pursuant to the new agreement, the City's investment in the joint venture under the I.C.A. Agreement has been contributed to the new WRA organization. The City retains a reversionary interest percentage in the net assets of the WRA redeemable only in the event the WRA is dissolved. During the year ended June 30, 2016, the City paid the WRA \$2,063,565 for operations, maintenance, equipment replacements and debt service payments.

The WRA issues separate financial statements that may be obtained at 3000 Vandalia Road, Des Moines, Iowa 50317-1346.

(5) PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the City of Altoona, except for those covered by another retirement system. Employees of the City of Altoona are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2016

(4) Pension Plan - Continued

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reductions is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2016

(4) Pension Plan - Continued

Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of pay and the City of Altoona contributed 8.93% for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City of Altoona contributed 9.84% of covered payroll, for a total rate of 16.40%.

The City of Altoona's contributions to IPERS for the year ended June 30, 2016 totaled \$552,991.

Net Pension Liability, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City reported a liability of \$2,026,761 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's proportion was .0410235%, which was an increase of 0.007915% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016 the City of Altoona's pension expense, deferred outflows and deferred inflows totaled \$285,710, \$738,073 and \$1,043,682 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of Inflation (effective June 30, 2014)	3.00%
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00%, average, including inflation. Rates vary by membership group
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2016

(4) Pension Plan - Continued

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	<u>1</u>	(0.71)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City of Altoona will be made at contractually required rates, actuarially determined. Based on those assumptions, the IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City of Altoona's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City of Altoona's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City of Altoona's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
City's proportionate share of the net pension liability	\$5,068,726	\$2,026,761	\$(538,941)

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2016

(6) OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 79 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees.

Funding Policy

The contribution requirements of Plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and Plan members are \$723 - PPO and \$548 - HSA for single coverage. Family coverage is \$1,779 - PPO and \$1,098 - HSA. The same monthly premiums apply to retirees. For the year ended June 30, 2016 the City contributed \$947,020 and Plan members eligible for benefits contributed \$105,224 to the Plan.

Early Retirement Program - Beginning in 2011 the City offered an early retirement opportunity to certain employees. The early retirement opportunity was to last 1 year, however, the City Council extended it two times to end June 30, 2013. There have been no subsequent extensions beyond that time. The early retiree is eligible to have the City pay for their health insurance for five years or until the retiree is eligible for medicare whichever occurs first.

To be eligible for this program the employee must be eligible to draw their IPERS funds. In addition to that the employee must submit a written application for early retirement acknowledging that the employee voluntarily left employment and agrees to waive all rights to file suit against the City. Two employees were offered single medical insurance paid by the City if they retired by June 30, 2013. Total paid for this insurance in the year ending June 30, 2016 was \$17,080.

(7) SEVERANCE AGREEMENT

Effective July 1, 2014, the City entered into a 3 year agreement with the City Administrator which formally identifies the financial obligation of the City to its City Administrator in the event of an involuntary employment termination. The agreement provides for a termination payment equal to six months of compensation plus paid health (single and family) insurance for the same period, as well as payment for all accrued but unused vacation and sick time at termination.

(8) COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and compensation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for these earned vacation and sick leave termination payments payable to employees at June 30, 2016, primarily relating to the General Fund, is as follows:

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2016

(8) COMPENSATED ABSENCES - CONTINUED

Type of Benefit	Amount
Vacation	\$ 395,125
Sick leave	982,937
Total	<u>\$1,378,062</u>

This liability has been computed based on rates of pay as of June 30, 2016.

(9) INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
General Fund	Enterprise:	
	Water Fund	\$ 425,495
	Sewer Fund	504,648
	Storm Water	59,364
	Special Revenue:	
	Tax Increment Financing	418,062
Capital Projects	General Fund	850,000
	Special Revenue:	
	Tax Increment Financing	797,000
Debt Service Fund	Special Revenue:	
	Tax Increment Financing	7,956,664
Enterprise:	Special Revenue:	
Water	Tax Increment Financing	224,892
Internal Service:		
Equipment Replacement	General Fund	495,000
	Enterprise:	
	Water	158,795
	Sewer	16,000
Total		<u>\$ 11,905,920</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2016

(10) RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300% of basis rates.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2016 were \$184,360.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss, or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2016

(10) RISK MANAGEMENT - CONTINUED

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation in the amount of \$1,000,000. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan as allowed by Internal Revenue Code Section 457. The plan allows City employees to defer a portion of their current salary until future years. These funds are held in trust for participating employees by a third party investor.

(12) CONSTRUCTION CONTRACTS

At June 30, 2016, the City had entered into construction contracts of approximately \$1,181,000 for various projects. At June 30, 2016 these projects will require future payments of approximately \$910,000 upon completion.

(13) REVENUE RESERVE BALANCES

Revenue reserve balances are not available for general operating use. They are included with their respective water or sewer cash balances on Exhibit D. Cash balances at end of year are summarized as follows:

					Storm		
	Water	Sewer	Deposits	Garbage	Water	Recycling	Total
General operation	\$7,443,961	\$6,046,730	\$114,605	\$183,615	\$1,476,476	\$18,613	\$15,284,000
Sinking fund	99,764	5,948	-	-	-	-	105,712
Revenue reserve fund	421,754	557,368	-	-	-	-	979,122
	<u>\$7,965,479</u>	<u>\$6,610,046</u>	<u>\$114,605</u>	<u>\$183,615</u>	<u>\$1,476,476</u>	<u>\$18,613</u>	<u>\$16,368,834</u>

(14) LITIGATION

The City may be subject to legal proceedings and claims in the ordinary course of business. In the opinion of the City and its legal counsel, the ultimate outcome of the claims and litigation, if any, will not have a material adverse effect on the City's financial position.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2016

(15) SUBSEQUENT EVENTS

The City has evaluated all subsequent events through October 11, 2016, the date the financial statements were available to be issued.

In July 2016, the City issued \$3,690,000 general obligation urban renewal refunding bonds to crossover refund on June 1, 2017, \$3,695,000 of the City's outstanding general obligation urban renewal corporate purpose bonds, taxable Series 2009A.

In July 2016, the City issued \$42,405,000 annual appropriation general obligation urban renewal refunding bonds, Series 2016C, for refunding on June 1, 2018 the outstanding balance of the City's annual appropriation urban renewal tax increment revenue bonds, Series 2008.

(16) NEW ACCOUNTING PRONOUNCEMENT

The City of Altoona adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

Other Information

CITY OF ALTOONA

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds Other Information Year ended June 30, 2016

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to Be Budgeted	Total
Receipts:				
Property tax	\$ 5,644,024	\$ -	\$ -	\$ 5,644,024
Tax increment financing collections	10,239,482	-	-	10,239,482
Other City tax	1,057,370	-	-	1,057,370
Licenses and permits	526,721	-	-	526,721
Uses of money and property	39,862	3,321	-	43,183
Intergovernmental	3,582,285	-	-	3,582,285
Charges for service	774,253	9,636,843	-	10,411,096
Special assessments	78,703	-	-	78,703
Miscellaneous	1,215,142	123,836	-	1,338,978
Total receipts	23,157,842	9,764,000	-	32,921,842
Disbursements:				
Public safety	5,167,635	253,698	253,698	5,167,635
Public works	1,526,830	129,655	129,655	1,526,830
Health and social services	13,682	-	-	13,682
Culture and recreation	1,845,067	6,006	6,006	1,845,067
Community and economic development	2,582,193	-	-	2,582,193
General government	1,116,344	55,110	55,110	1,116,344
Debt service	8,344,266	-	-	8,344,266
Capital projects	1,484,755	-	-	1,484,755
Business type activities	-	6,721,347	173,705	6,547,642
Total disbursements	22,080,772	7,165,816	618,174	28,628,414
Excess (deficiency) of receipts over (under) disbursements	1,077,070	2,598,184	(618,174)	4,293,428
Other financing sources (uses), net	4,476,237	(269,615)	669,795	3,536,827
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing sources (uses)	5,553,307	2,328,569	51,621	7,830,255
Balances beginning of year	15,025,687	14,118,544	26,658	29,117,573
Balances end of year	\$20,578,994	\$16,447,113	\$ 78,279	\$36,947,828

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual Variance- Positive (Negative)
Original	Final	
\$ 5,474,996	\$ 5,474,996	\$ 169,028
10,404,241	10,404,241	(164,759)
1,093,989	1,243,989	(186,619)
319,117	491,117	35,604
51,501	51,501	(8,318)
2,547,141	4,075,311	(493,026)
10,073,987	10,303,987	107,109
-	-	78,703
957,000	957,000	381,978
30,921,972	33,002,142	(80,300)
5,332,018	5,489,018	321,383
1,606,972	1,606,972	80,142
13,000	18,000	4,318
1,869,107	1,953,707	108,640
2,316,899	2,600,756	18,563
1,150,832	1,166,832	50,488
8,648,114	8,648,114	303,848
923,783	2,118,283	633,528
9,153,374	9,430,374	2,882,732
31,014,099	33,032,056	4,403,642
(92,127)	(29,914)	4,323,342
-	-	3,536,827
(92,127)	(29,914)	7,860,169
25,251,113	25,251,113	3,866,460
\$ 25,158,986	\$ 25,221,199	\$11,726,629

CITY OF ALTOONA

Required Supplemental Information

Notes To Required Supplementary Information - Budgetary Reporting

June 30, 2016

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital project funds and enterprise funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$2,017,957. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2016, no disbursements exceeded the amounts budgeted.

CITY OF ALTOONA

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
2016
(In Thousands)

Other Information

	<u>2016</u>	<u>2015</u>
City of Altoona's proportion of the net pension liability	.593588%	.793628%
City of Altoona's proportionate share of the net pension liability	\$ 2,027	\$ 1,313
City of Altoona's covered-employee payroll	\$ 5,793	\$ 5,834
City of Altoona's proportionate share of the net pension liability as a percentage of its covered-employee payroll	34.99%	22.51%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

CITY OF ALTOONA

Schedule of City of Altoona's Contributions

Iowa Public Employees' Retirement System Last 10 Fiscal Years (In Thousands)

Other Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 553	540	521	488
Contributions in relation to the statutorily required contribution	<u>(553)</u>	<u>(540)</u>	<u>(521)</u>	<u>(488)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City of Altoona's covered-employee payroll	\$ 5,936	5,793	5,834	5,629
Contributions as a percentage of covered-employee payroll	9.32%	9.32%	8.93%	8.67%

See accompanying independent auditor's report.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
444	402	322	340	306	282
<u>(444)</u>	<u>(402)</u>	<u>(322)</u>	<u>(340)</u>	<u>(306)</u>	<u>(282)</u>
<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
5,502	5,784	4,842	5,354	5,058	4,904
8.07%	6.95%	6.65%	6.35%	6.05%	5.75%

CITY OF ALTOONA

Notes to Other Information - Pension Liability

Year ended June 30, 2016

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual contribution rate in the calculation of the UAL amortization payments.

Supplementary Information

CITY OF ALTOONA

Schedule of Cash Receipts, Disbursements and Changes in Cash Balances Nonmajor Governmental Funds

As of and for the year ended June 30, 2016

	Special Revenue		Capital	
	Employee Benefits	Drug Enforcement Agency	Rail Spur	CAP
Receipts:				
Property tax	\$805,231	\$ -	\$ -	\$ -
Use of money and property	-	-	-	-
Intergovernmental	-	15,399	-	-
Miscellaneous	-	2,060	28,165	-
Total receipts	805,231	17,459	28,165	-
Disbursements:				
Operating:				
Public safety	550,994	49,605	-	-
Culture and recreation	118,897	-	-	-
Community and economic development	33,722	-	-	-
General government	101,618	-	-	-
Capital projects	-	-	-	807,826
Total disbursements	805,231	49,605	-	807,826
Excess (deficiency) of receipts over (under) disbursements	-	(32,146)	28,165	(807,826)
Other financing (uses):				
Transfers in	-	-	-	808,655
Transfers out	-	-	(11,655)	-
Total other financing (uses)	-	-	(11,655)	808,655
Change in cash balances	-	(32,146)	16,510	829
Cash balances beginning of year	-	68,167	11,655	-
Cash balances end of year	\$ -	\$ 36,021	\$ 28,165	829
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ -	\$ -	\$ -	-
Other purposes	-	36,021	-	-
Capital project funds	-	-	28,165	829
Total cash basis fund balances	\$ -	\$ 36,021	\$ 28,165	829

See accompanying independent auditor's reports.

Projects						
NE Rise Project	Recreation Complex	Streets	Parks	Water	Intrafund Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 805,231
-	-	-	-	2	-	2
10,287	-	-	-	-	-	25,686
-	-	-	-	-	-	30,225
10,287	-	-	-	2	-	861,144
-	-	-	-	-	-	600,599
-	-	-	-	-	-	118,897
-	-	-	-	-	-	33,722
-	-	-	-	-	-	101,618
59,325	-	268,916	348,688	-	-	1,484,755
59,325	-	268,916	348,688	-	-	2,339,591
(49,038)	-	(268,916)	(348,688)	2	-	(1,478,447)
-	-	500,000	350,000	-	(11,655)	1,647,000
-	-	-	-	-	11,655	-
-	-	500,000	350,000	-	-	1,647,000
(49,038)	-	231,084	1,312	2	-	168,553
168,463	226,449	-	-	5,972	-	480,706
\$ 119,425	\$ 226,449	\$ 231,084	\$ 1,312	\$ 5,974	\$ -	\$ 649,259
\$ 119,425	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 119,425
-	-	-	-	-	-	36,021
-	226,449	231,084	1,312	5,974	-	493,813
\$ 119,425	\$ 226,449	\$ 231,084	\$ 1,312	\$ 5,974	\$ -	\$ 649,259

CITY OF ALTOONA

Schedule of Indebtedness

Year ended June 30, 2016

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Urban renewal/corporate purpose taxable Series 2009A (BAB)	Jun 9, 2009	5.00 - 6.50	5,295,000
Urban renewal/corporate purpose Series 2009D	Aug 17, 2009	3.00 - 4.50	5,400,000
Urban renewal/refunding:			
Series 2010A	Mar 11, 2010	2.50 - 3.00	4,335,000
Series 2010B	Jul 12, 2010	3.00 - 4.00	3,565,000
Corporate purpose Series 2011A	Jul 5, 2011	1.70 - 2.60	1,035,000
Refunding bonds, Series 2012A	Apr 16, 2012	.90 - 2.00	2,425,000
Refunding bonds, Series 2013A	Jan 22, 2013	2.00	4,585,000
Refunding bonds, Series 2013B	Mar 5, 2013	2.00	3,945,000
Refunding bonds, Series 2014	Aug 28, 2014	1.50 - 2.50	4,545,000
Refunding bonds, Series 2016A	Jun 14, 2016	2.00 - 3.00	4,080,000
Refunding bonds, Series 2016B	Jul 19, 2016	1.58 - 3.00	3,690,000
Revenue Bonds:			
Water taxable Series 2009C (BAB)	Jun 17, 2009	5.20 - 6.375	3,750,000
Urban renewal tax Increment Series 2008	Jul 1, 2008	5.00 - 6.00	56,470,000
Sewer Series 2011B	Jul 5, 2011	2.25 - 3.40	1,500,000
Capital Lease:			
Fire Truck	Dec 30, 2010	3.30	360,695
Total			

(1) \$4,065,617 being held in escrow to recall \$4,025,000 of the bonds on June 1, 2017

(2) Advance of July, 2016 issue

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 4,510,000	\$ -	\$ 255,000	\$ 4,255,000	\$ 258,090
4,535,000	-	250,000	4,285,000 (1)	178,553
2,095,000	-	495,000	1,600,000	54,978
2,400,000	-	105,000	2,295,000	83,457
635,000	-	100,000	535,000	13,140
1,860,000	-	205,000	1,655,000	25,980
3,030,000	-	800,000	2,230,000	60,600
3,355,000	-	530,000	2,825,000	67,100
4,545,000	-	575,000	3,970,000	86,388
-	4,080,000	-	4,080,000	-
-	38,350 (2)	-	38,350	-
26,965,000	4,118,350	3,315,000	27,768,350	828,286
3,145,000	-	100,000	3,045,000	184,973
53,470,000	-	1,000,000	52,470,000	3,157,500
1,100,000	-	100,000	1,000,000	30,100
57,715,000	-	1,200,000	56,515,000	3,372,573
\$ 76,819	\$ -	\$ 76,819	\$ -	\$ 2,617
\$ 84,756,819	\$ 4,118,350	\$ 4,591,819	\$ 84,283,350	\$ 4,203,476

CITY OF ALTOONA

Bond Maturities

June 30, 2016

Year Ending June 30,	Urban Renewal Corporate Purpose Series 2009A		Urban Renewal Corporate Purpose Series 2009D		Urban Renewal Corporate Purpose Series 2010A	
	Issued June 9, 2009		Issued August 17, 2009		Issued March 11, 2010	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2017	5.00%	\$ 560,000	3.00%	\$ 260,000	2.50%	\$ 515,000
2018	5.00	780,000	3.20	275,000	2.75	535,000
2019	5.35	100,000	3.40	100,000	3.00	550,000
2020	5.60	100,000	3.60	100,000	-	-
2021	5.80	100,000	3.75	300,000	-	-
2022	5.90	325,000	3.90	320,000	-	-
2023	6.00	340,000	4.00	340,000	-	-
2024	6.10	355,000	4.05	365,000	-	-
2025	6.20	370,000	4.10	390,000	-	-
2026	6.30	390,000	4.20	415,000	-	-
2027	6.40	405,000	4.30	440,000	-	-
2028	6.50	430,000	4.40	475,000	-	-
2029	-	-	4.50	505,000	-	-
2030	-	-	-	-	-	-
Total		<u>\$ 4,255,000</u>		<u>\$ 4,285,000</u>		<u>\$ 1,600,000</u>

See accompanying independent auditor's report.

General Obligation Bonds					
Urban Renewal Corporate Purpose Series 2010B Issued July 12, 2010		Corporate Purpose Series 2011A Issued July 5, 2011		Refunding Bonds Series 2012A Issued April 16, 2012	
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
3.000%	\$ 105,000	1.70%	\$ 100,000	.90%	\$ 210,000
3.000	360,000	2.00	105,000	1.10	220,000
3.000	125,000	2.20	105,000	1.30	225,000
3.125	125,000	2.40	110,000	1.50	235,000
3.250	130,000	2.60	115,000	1.60	245,000
3.375	135,000	-	-	1.75	255,000
3.500	140,000	-	-	2.00	265,000
3.625	150,000	-	-	-	-
3.750	155,000	-	-	-	-
3.750	160,000	-	-	-	-
3.750	165,000	-	-	-	-
3.875	175,000	-	-	-	-
4.000	180,000	-	-	-	-
4.000	190,000	-	-	-	-
	<u>\$ 2,295,000</u>		<u>\$ 535,000</u>		<u>\$ 1,655,000</u>

CITY OF ALTOONA

Bond Maturities - Continued

June 30, 2016

Year Ending June 30,	General Obligation Bonds			
	Refunding Bonds		Refunding Bonds	
	Series 2013A		Series 2013B	
	Issued January 22, 2013		Issued March 5, 2013	
	Interest Rates	Amount	Interest Rates	Amount
2017	2.00%	\$ 535,000	2.00%	\$ 540,000
2018	2.00	550,000	2.00	550,000
2019	2.00	565,000	2.00	565,000
2020	2.00	580,000	2.00	580,000
2021	-	-	2.00	590,000
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
Total		<u>\$ 2,230,000</u>		<u>\$ 2,825,000</u>

See accompanying independent auditor's report.

Refunding Bonds Series 2014 Issued August 28, 2014		Refunding Bonds Series 2016A Issued June 14, 2016		Total
Interest Rates	Amount	Interest Rates	Amount	
1.50%	\$ 590,000	- %	\$ -	\$ 3,415,000
1.50	605,000	3.00	295,000	4,275,000
2.00	615,000	3.00	120,000	3,070,000
2.00	630,000	3.00	125,000	2,585,000
2.25	650,000	3.00	325,000	2,455,000
2.25	675,000	2.25	340,000	2,050,000
2.50	205,000	2.00	355,000	1,645,000
-	-	2.00	375,000	1,245,000
-	-	2.00	390,000	1,305,000
-	-	2.00	410,000	1,375,000
-	-	2.10	425,000	1,435,000
-	-	2.25	450,000	1,530,000
-	-	2.375	470,000	1,155,000
-	-	-	-	190,000
	<u>\$3,970,000</u>		<u>\$ 4,080,000</u>	27,730,000
Advance on 2016B issue				38,350
				<u>\$ 27,768,350</u>

CITY OF ALTOONA

Bond Maturities - Continued

June 30, 2016

Year Ending June 30,	Revenue Bonds			
	Water		Urban Renewal	
	Series 2009C		TIF Series 2008	
	Issued June 17, 2009		Issued July 1, 2008	
	Interest		Interest	
	Rates	Amount	Rates	Amount
2017	5.20%	\$ 120,000	5.00%	\$ 1,000,000
2018	5.375	200,000	5.00	400,000
2019	5.50	205,000	-	400,000
2020	5.50	210,000	-	400,000
2021	5.70	215,000	-	400,000
2022	5.80	220,000	-	400,000
2023	5.90	230,000	5.625	400,000
2024	6.00	240,000	-	1,000,000
2025	6.00	255,000	5.75	1,000,000
2026	6.10	265,000	-	1,505,000
2027	6.20	280,000	-	1,595,000
2028	6.30	295,000	6.00	1,690,000
2029	6.375	310,000	-	1,790,000
2030	-	-	-	1,890,000
2031	-	-	5.75	2,000,000
2032	-	-	-	2,115,000
2033	-	-	-	2,305,000
2034	-	-	6.00	2,440,000
2035	-	-	-	2,590,000
2036	-	-	-	2,745,000
2037	-	-	-	2,910,000
2038	-	-	-	3,080,000
2039	-	-	6.00	3,265,000
2040	-	-	-	3,465,000
2041	-	-	-	3,670,000
2042	-	-	-	3,890,000
2043	-	-	6.00	4,125,000
Total		<u>\$ 3,045,000</u>		<u>\$52,470,000</u>

See accompanying independent auditor's report.

Sewer		
Series 2011B		
Issued July 5, 2011		
Interest		
Rate	Amount	Total
2.25%	\$ 100,000	\$ 1,220,000
2.25	100,000	700,000
2.30	100,000	705,000
2.55	100,000	710,000
2.75	100,000	715,000
2.95	100,000	720,000
3.00	100,000	730,000
3.10	100,000	1,340,000
3.30	100,000	1,355,000
3.40	100,000	1,870,000
-	-	1,875,000
-	-	1,985,000
-	-	2,100,000
-	-	1,890,000
-	-	2,000,000
-	-	2,115,000
-	-	2,305,000
-	-	2,440,000
-	-	2,590,000
-	-	2,745,000
-	-	2,910,000
-	-	3,080,000
-	-	3,265,000
-	-	3,465,000
-	-	3,670,000
-	-	3,890,000
-	-	4,125,000
	<u>\$1,000,000</u>	<u>\$ 56,515,000</u>

CITY OF ALTOONA

Schedule of Receipts/Proceeds by Source and Disbursements by Function -
All Governmental and Proprietary Funds

For the Last Ten Years

	Years ended June 30,				
	2016	2015	2014	2013	2012
Receipts:					
Property tax	\$ 5,644,024	\$ 5,471,819	\$ 4,970,572	\$ 5,248,224	\$ 5,021,741
Other city tax:					
Hotel/motel	1,057,370	1,012,619	943,595	830,445	585,395
Total property and other city tax	6,701,394	6,484,438	5,914,167	6,078,669	5,607,136
Lottery	926,444	929,094	912,885	923,502	914,254
Tax increment financing collections	10,239,482	10,374,177	10,340,559	8,875,295	9,851,865
Licenses and permits	526,721	527,108	586,912	635,189	614,849
Use of money and property	39,862	34,745	60,148	71,982	61,118
Intergovernmental:					
Road use tax	1,796,172	1,512,009	1,451,973	1,392,532	1,377,054
Library	64,280	78,504	58,248	59,588	77,791
State allocation	36,506	37,121	30,631	30,619	20,202
Grants	926,444	929,094	1,021,875	1,018,998	1,521,166
Drug enforcement	15,399	17,100	15,968	28,804	13,286
Miscellaneous	743,484	115,939	101,737	261,457	52,636
Total intergovernmental	3,582,285	2,689,767	2,680,432	2,791,998	3,062,135
Charges for service	10,411,096	10,232,379	10,228,804	9,384,624	9,250,022
Special assessments	86,795	37,279	185,594	-	-
Bond proceeds	4,206,622	4,655,442	-	8,953,387	4,934,650
Miscellaneous	407,763	367,186	378,788	164,905	365,111
Total	<u>\$37,128,464</u>	<u>\$36,331,615</u>	<u>\$31,288,289</u>	<u>\$37,879,551</u>	<u>\$34,661,140</u>
Disbursements:					
Operating:					
Public safety	\$ 5,421,333	\$ 5,469,561	\$ 5,026,976	\$ 4,830,592	\$ 5,578,639
Public works	1,656,485	1,519,854	1,550,923	1,612,558	1,626,628
Health and social services	13,682	1,597	191	1,214	22,848
Culture and recreation	1,851,073	1,717,632	1,483,754	2,030,756	1,479,311
Community and economic development	2,582,193	3,634,958	3,435,207	4,429,525	3,510,266
General government	1,171,454	1,077,452	1,102,247	1,120,407	1,021,974
Debt service	8,344,266	13,037,012	12,582,483	12,403,506	11,020,620
Capital projects	1,484,755	625,554	42,689	582,340	1,229,016
Business type activities	6,721,347	6,385,687	9,673,190	9,772,155	7,862,321
Total	<u>\$29,246,588</u>	<u>\$33,469,307</u>	<u>\$34,897,660</u>	<u>\$36,783,053</u>	<u>\$33,351,623</u>

See accompanying independent auditor's report.

2011	2010	2009	2008	2007
\$4,355,302	\$ 3,950,148	\$ 3,778,173	\$ 3,601,632	\$ 3,325,891
542,119	565,666	563,372	599,010	490,300
4,897,421	4,515,814	4,341,545	4,200,642	3,816,191
913,797	879,556	914,162	958,685	939,293
9,444,161	8,765,067	8,001,868	6,254,969	5,997,960
539,268	308,323	246,052	318,778	452,064
97,370	199,772	730,201	575,786	281,569
1,314,053	1,233,824	1,103,581	1,139,532	1,108,570
82,788	88,060	96,104	83,362	133,823
33,962	35,068	34,696	69,005	36,713
593,735	2,599,528	1,352,882	-	39,873
30,015	67,680	347,311	106,988	50,841
61,783	21,414	31,608	35,655	444
2,116,336	4,045,574	2,966,182	1,434,542	1,370,264
8,486,032	7,724,047	7,376,049	6,859,821	6,830,501
-	3,341	3,043	3,230	7,468
3,567,357	9,676,353	67,260,000	4,015,000	5,600,000
549,408	316,346	481,284	293,559	101,727
\$30,611,150	\$36,434,193	\$92,320,386	\$24,915,012	\$25,397,037
\$ 4,817,835	\$ 4,699,350	\$ 4,263,900	\$ 4,193,948	\$ 3,679,699
1,353,006	1,467,668	1,336,974	1,194,285	1,308,267
23,232	18,299	9,325	-	-
1,499,883	1,801,913	1,989,840	2,594,010	1,721,752
2,618,273	2,603,576	3,649,078	6,841,063	1,972,798
840,368	873,812	737,102	731,258	671,264
8,399,930	14,246,153	7,530,701	4,156,070	3,290,010
3,387,919	13,491,454	44,474,141	6,450,292	9,460,450
5,475,995	7,855,645	5,120,349	7,279,771	5,880,121
\$28,416,441	\$47,057,870	\$69,111,410	\$33,440,697	\$27,984,361

City of Altoona



MARTENS & COMPANY, CPA, LLP

CERTIFIED PUBLIC ACCOUNTANTS
4949 Pleasant Street, Suite 104
West Des Moines, Iowa 50266

(515)-223-4841
FAX: (515)-223-0851

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Altoona, Iowa as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 11, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Altoona's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Altoona's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Altoona's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Altoona's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings as item II-A-16, to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-B-16 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Altoona's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Altoona's responses to the Findings

The City of Altoona's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Altoona's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Altoona during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Martens & Company, CPA, LLP

West Des Moines, Iowa
October 11, 2016

CITY OF ALTOONA

Schedule of Findings

Year ended June 30, 2016

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A significant deficiency and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF ALTOONA

Schedule of Findings - Continued

Year ended June 30, 2016

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- II-A-16 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the following functions are not entirely segregated: cash receipts, general ledger posting, reconciliations and investment control and custody.

Recommendation - We realize that segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. The City could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Response - We will consider this.

Conclusion - Response acknowledged.

- II-B-16 Computer System Control - The design and controls established over the computer system process is very important in providing assurance and financial integrity of the City's financial records. We noted some weaknesses in the policies and controls.

Recommendation - A non-water fire suppression system should be installed. There should be a written procedures plan.

Response - We will consider these recommendations.

Conclusion - Response acknowledged. Once established, the recommended policies and procedures will add a measure of assurance to the City's financial records.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF ALTOONA

Schedule of Findings - Continued

Year ended June 30, 2016

Part III: Other Findings Related to Required Statutory Reporting:

- III-A-16 Questionable Disbursements - We noted no expenditures for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- III-B-16 Travel Expenses - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-C-16 Business Transactions - There were no business transactions noted between the City and City officials or employees.
- III-D-16 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- III-E-16 City Council Minutes - No transactions were found that we believe should have been approved in the Council Minutes but were not.
- III-F-16 Revenue Bonds - No instances of non-compliance with the Revenue Bond and Note Resolutions were noted.
- III-G-16 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- III-H-16 Certified Budget - Disbursements during the year ended June 30, 2016 did not exceed the certified budget.
- III-I-16 Urban Renewal Annual Report - The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.